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SUBJECT: CAFTA-DR SUCCESS STORIES FOR NICARAGUA - FRUITS AND  
VEGETABLES

#### Summary and Introduction

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¶1. Trade data suggest that the Dominican Republic - Central America - United States - Free Trade Agreement (CAFTA-DR) has spurred only modest export growth for Nicaragua. USITC reports that Nicaraguan exports are up 2.5 percent for the first ten months of 2007, compared to the same period in 2006, from \$1.286 to \$1.318 billion. However, these data mask changes at the microeconomic level that demonstrate CAFTA-DR's transformative potential. This report, the first in a series of three, provides examples of businesses and cooperatives that have taken advantage of the trade agreement to increase exports of vegetables and root crops to the United States. In many cases, these firms have made new investments, or have plans to do so, and they have increased employment.

¶2. CAFTA-DR has motivated individual growers, cooperatives, and local companies to increase cultivation of fruits, vegetables, and root crops for export to the United States. For the first ten months of 2007, Nicaragua exported \$31 million worth of such agricultural products to the United States, according to USITC data, up from \$23.3 million during the same ten-month period in 2006. Plantain exports to the United States, featured in the success stories that follow, went from \$35,000 in the first period to \$718,000 under CAFTA-DR. Other success stories listed below include exports of root crops to the United States, which increased from \$5.6 to \$7.3 million for the ten-month period; beans, which increased from \$2.8 to \$3.2 million; and peppers, which increased from \$592,000 to \$1.9 million.

#### Chinandega and Rivas Farmers Exporting Plantains

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¶3. CAFTA-DR has encouraged a cooperative in Chinandega to improve production methods and sell plantains in the increasingly profitable U.S. market. The La Esperanza cooperative, which grows approximately 346 acres of plantains, currently sends two containers to Miami each week and already has plans to increase exports further.

¶4. Plantain growers in Rivas report that CAFTA-DR has stimulated trade within Central America. The growers, who participated in a USAID-sponsored workshop to discuss CAFTA-DR opportunities, report that the treaty has boosted regional trade by simplifying export requirements. Four different associations of plantain producers from the department are currently exporting to markets in Central America and the United States, with more producers to join them in the coming year.

¶5. MCC assistance has enabled three additional plantain cooperatives from Chinandega to take advantage of these simplified export requirements and export to nearby El Salvador. Until

CAFTA-DR was enacted, they had only exported in small quantities to Honduras and served local markets. MCC is helping producers develop business plans and install micro-irrigation systems on their farmlands to increase yields. In addition to plantains, some Chinandega farmers plan to export plantain cuttings for propagation.

#### Matagalpa Cooperatives Exporting Root Crops and other Vegetables

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¶16. Under CAFTA-DR, a Matagalpa cooperative, Cosfrunic, has exported containers of root crops to Florida on a monthly basis, including 80,000 pounds of dasheen (taro) in March 2007. The first year CAFTA-DR was in effect, they exported 22 containers of various products such as green beans, eggplant, pickles, squash, and okra.

¶17. Cosfrunic, financed in part by the Inter-American Development Bank's Rural Development Institute (IDR), was founded in 2004 and now includes 69 active members. While the official IDR project ended in 2006, members of the cooperative have continued to put into practice the skills they learned in the production, processing, and export of nontraditional products. Cosfrunic is also working to develop strategic alliances throughout the Matagalpa region so that they may offer their processing services to local producers who are not members of the cooperative.

¶18. Another farmers' cooperative in Matagalpa is now able to supply the U.S. market and take advantage of CAFTA-DR thanks to a USAID-financed processing plant that benefits the 43 producers of the Jorge Salazar Cooperative as well as another 100 producers who will use the modern facility. The farmers also receive technical assistance, client contacts, training, and administrative assistance.

¶19. The first year of CAFTA-DR, the cooperative exported \$1.2 million worth of root crops, primarily malanga and quequisque, to the United States; in the first four months of 2007, the cooperative exported 33 containers worth \$312,000. These activities have generated 80 new jobs, most of which have been filled by women who wash, cut, and pack the vegetables. The president of the Jorge Salazar Cooperative attributes the group's recent success to improvements its members have made in the quality of their products, allowing them to take full advantage of the export opportunities offered by CAFTA-DR.

¶110. Thanks to CAFTA-DR, growers in Matagalpa have seen 120% export growth. The growers joined forces to create an export association known as APAC that currently export five containers per month of root crops to the United States. Members of the association report that they began exporting in September 2005, but experienced a significant increase in demand with CAFTA-DR's reduction in tariffs and simplification of export/import requirements.

¶111. According to the marketing manager at APAC, CAFTA-DR "is an excellent treaty that has opened doors to the U.S. market and forced us to become more competitive and innovative." APAC recently expanded and modernized its processing plant, which is located in the municipality of San Ramon. It has also hired additional staff and added new members to increase production and fill new orders.

#### Large Coffee Grower Diversifies Product Line

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¶112. A coffee exporter now exports red beans thanks to CAFTA-DR. Since 1952, CISA Exportadora has been one of the leading coffee producers and exporters in Nicaragua. Due to the volatility of international coffee prices, and seeking to make use of CAFTA-DR, the company has diversified production and is currently exporting red beans as well as the root crop dasheen. CISA has exported more than 1 million pounds of red beans to Central America and the United States each year since 2003, but it has noticed significant export growth over the past two years. Its buyers include both retail and wholesale companies located in California, New Jersey, Florida, and Texas. Meanwhile, since October 2006 CISA has made weekly shipments of more than 1.2 million pounds of dasheen and other root crops to customers to Florida and Puerto Rico.

¶13. While maintaining its core business in coffee, CISA has generated 80 new jobs, including 30 direct employees who are involved with red bean exports and 50 indirect employees who support the processing of root crops. CISA officials note that since CAFTA-DR entered into force, they have found more interest on the part of U.S. customers in their products. For example, in 2007 they met potential new U.S. importers during a commercial trade mission to Miami organized by Nicaragua's Center for Export Promotion, also known as NICAEXPORT.

#### Leon Farmers Export Cassava and Plantains to El Salvador and the United States

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¶14. Thanks to CAFTA-DR, cassava growers now export to El Salvador and to the United States. In Leon, there are approximately 3,000 cassava growers who harvest approximately 7.5 million pounds of the root crop per year for sale in local and international markets. In January 2007, MCC's Rural Business Development Project began connecting farming cooperatives in Leon with clients in El Salvador.

¶15. One such client, DIANA Food Products, agreed to purchase a trial order of 44,000 pounds from Las Brisas, a small Leon cassava cooperative of 66 producers. By exporting the Nicaraguan producers earned almost three times the local price for their crop. Following this initial success, the cooperative has entered into a joint venture with a local processor, Technoagro, and to date they have exported seven containers of 46,000 pounds to the United States. The cooperative selects first grade cassava and delivers it to the processing plant and the processor adds value by washing and waxing the cassava, which is then packaged and exported. DIANA is also making weekly purchases of plantains from MCC supported cooperatives in the Tonala-Chinandega region totaling three containers of 60,000 units each per week. In addition to marketing assistance, MCC has also provided significant assistance to growers in meeting international market quality standards.

¶16. As the demand for international cassava exports steadily increases, the number of local employment opportunities in the industry is also increasing. Access to U.S. markets had been limited prior to CAFTA-DR by an 11.3% ad valorem tariff. MCC plans to finance a feasibility study for the construction of a cassava processing plant in Chacraseca, Leon that would further support export growth in this sector.

#### Nicaraguan Coffee Exporters Getting Connected Online

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¶17. CAFTA-DR has raised awareness of Nicaraguan products, improving a coffee company's internet sales to U.S. consumers. Cafetalera Castellon has exported Nicaraguan coffee to the United States for more than three years and is eager to expand its reach by selling its products online. Although coffee entered the United States duty-free before CAFTA-DR, company officials report that the agreement has created interest among U.S. buyers for all Nicaraguan goods. Cafetalera Castellon is currently exporting 4,000 pounds of ground and roasted coffee per month to buyers in Pennsylvania, Miami, and Texas, but they expect to sell up to 10,000 pounds per month online through a new website. Company officials are also negotiating a contract with a large retail chain in the United States, which would increase their sales by up to 75,000 pounds of coffee per month. This contract will allow the company, which currently employs 55 permanent workers, to triple production and hire additional staff.

#### Lower Okra Duties Result in Higher Okra Exports

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¶18. According to a small farmer from Chinandega, since CAFTA-DR entered into force he has increased his production by 130%. The first 12 months the treaty was in effect, he exported 517,500 pounds of okra, up from 225,000 pounds the 12 months before. Before CAFTA-DR, the tariff for okra produced in Nicaragua and exported to the United States was \$0.85 per 15-pound box. Under CAFTA-DR, this product enters duty free. This drastic increase in production has generated \$9,800 in additional revenues for him and his family.

¶19. The producer from Chinandega is currently exporting okra and guar beans (an ethnic Indian product) to buyers in California and Florida. He has four permanent employees and up to 220 temporary employees during the harvest season, up from 100 prior to CAFTA-DR. He has also improved his production process by upgrading his irrigation system and packaging plant to improve product quality.

#### Farmers in Madriz Exporting Mini-Vegetables

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¶20. CAFTA-DR market access has been critical to the success of growers in the Department of Madriz who are cultivating a variety of mini-vegetables for export to the United States. The project is generating between \$2,000-\$3,000 in revenue for each crop cycle, and there are typically three crops per year. Some of the mini-vegetables currently exported include green zucchini, zucchini patipan, zumbor zucchini, Hindu eggplant, Thai eggplant, baby-corn, and carrots. They plan to cultivate additional products such as Chinese okra, Thai okra, and cucumber, as well as other ethnic products with niche markets in the United States. Producers from nearby departments have shown interest in replicating their success.

#### Nicaraguan Pepper Producers Work with USDA to Reach the U.S. Market

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¶21. Nicaragua was the first country to export peppers to the United States under CAFTA-DR. Following the publication of an Animal and Plant Health Inspection Service rule on the import of fresh peppers from Central America to the United States, Nicaragua worked closely with USDA to develop a work plan to address pest and disease problems that had previously halted exports. Completion of the work plan, along with a USAID-sponsored Regional Pepper Training Activity, allowed Nicaragua exporters to meet U.S. phytosanitary requirements.

#### Spice Producer Increases Export

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¶22. Spice grower and exporter Jose Benito Ubeda has been exporting cardamom and lemon grass to the United States for three years now, but he has seen demand for his products increase dramatically since CAFTA-DR was adopted. This small producer, who leads an 82-member cardamom farmers' cooperative in San Rafael del Norte, launched his business Rio Grande Organics with support from USAID. Ubeda currently exports to the United States and Europe under his own name, but he hopes to register the Rio Grande Organics brand officially within the next year. He has invested in a new processing line to meet heightened consumer demand under CAFTA-DR, and he employs 10 full-time workers. Ubeda exports 22,000 pounds of cardamom and 8,800 pounds of lemon grass to the United States each year, primarily to an aromatic and medicinal herb processor in Nevada.

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